

**LIBERTY LAKE SEWER DISTRICT NO. 1**  
**Spokane County, Washington**  
**January 1, 1995 Through December 31, 1995**

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**Schedule Of Findings**

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1. The District Should Improve Internal Controls Over Cash Receipting

During our review of the district's cash receipting system, which collected in excess of \$400,000 during 1995, we noted the following internal control weaknesses:

- a. Permits are used as a basis for charging sewer and water connection and hookup fees. The permit document is not preprinted or prenumbered. In addition, the fees listed on the permit were changed after the permit was issued.
- b. There is no separation of duties between billing, cash receipting, posting, and reconciling.
- c. There is no management oversight of adjustments to accounts receivable.
- d. An updated policy on the amount and timing of late charges does not exist.

The Washington State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual, Volume I, Part 3, Chapter 1, page 15 states:

An internal control system consists of the plan of organization and methods and procedures adopted by management to ensure that resource use is consistent with laws, regulations and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed in the reports.

The BARS manual states that separation of duties, supervision, and prompt recording of transactions are among internal control standards established by the U.S. General Accounting Office.

Without proper separation of duties, reconciliations, and management oversight, the district is unable to ensure that all money collected is credited to the district's accounts. Additionally, the district will not be able to detect errors and irregularities in a timely manner, if at all.

We recommend the district establish and implement policies and procedures to strengthen the cash receipting system. This should include, but is not limited, to the following:

- a. Monitor and track all revenue generating documents. These documents should be preprinted and prenumbered. We further recommend that if the fees charges are incorrect an amended permit be issued.

- b. Segregate the duties of billing, cash receipting, posting, and reconciling.
- c. Review all accounts receivable adjustments. All adjustments should be documented as to the reason for the adjustment and reviewed prior to posting.
- d. Establish and follow policies concerning the amount and timing of late charge assessments.